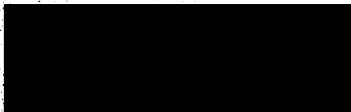


Reply to: P.O. Box 13163
Baltimore, MD 21203



NOV 5 1985

certified mail

Dear Applicant:

We have completed our review of the Form 1024, Application for Recognition of Exemption under section 501(c)(6) of the Internal Revenue Code which you filed with us.

The evidence submitted indicates that you were formed [REDACTED], to form an advertising cooperative for the purpose of promoting the sale of products in [REDACTED] throughout the [REDACTED] area.

Each franchise owner of a [REDACTED] restaurant is eligible for membership in the cooperative. Under an agreement signed [REDACTED], each franchise owner/member of the cooperative contributes [REDACTED] % of the gross sales of each operating restaurant within the [REDACTED] cooperative to defray advertising costs. The purpose of the cooperative is to permit greater exposure of [REDACTED] products and business to the general public.

Funds collected by the cooperative shall be expended for television advertising and out-of-pocket expenses related to the cost of advertising and administration of the cooperative including meeting room charges, photocopying and postage.

Section 501(c)(6) of the Internal Revenue Code provides exemption from Federal income tax to organizations such as business leagues, chambers of commerce, real-estate boards and other organizations that are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	10/24/85	10/28	11/5/85				

Section 1.501(c)(6)-1 of the income tax regulations defines a 501(c)(6) organization as follows:

1. A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit.
2. A business league is an organization of the same general class as a chamber of commerce or board of trade. The activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of services for individual persons.
3. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit even though the business is conducted on a cooperative basis and produces only sufficient income to be self-sustaining is not a business league.

National Muffler Dealers' Association Inc. Petitioner v. United States, Supreme Court of the United States No. 77-1172 affirming CA-2, 77-23 USTC 9756 565F 2 845 discusses an organization that applied for tax exempt status under section 501(c)(6). In this case, an organization formed a trade association of franchised muffler dealers. The organization limited its membership to Midas Muffler dealers and its activities to Midas Muffler business.

Income tax regulation 1.501(c)(6)-1 states that a business league is an organization of the same general class as a chamber of commerce or board of trade, and that a tax exempt business league's activities should be directed to the improvement of business conditions in one or more lines of business. Since this organization had confined its activities to Midas Muffler business and it did not recruit members from organizations that were not a Midas franchise, it was not an industry-wide organization and it did not meet the line of business requirement of section 501(c)(6).

Revenue Ruling 58-294 holds that an organization organized and operated for the purpose of promoting uniform business advertising and fair trade practices of a specified patented product was not a business league within the meaning of section 501(c)(6) since its primary purpose was to further the business interests of the dealers of a single product rather than the industry as a whole.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname							
Date							

Based on the evidence submitted, we have determined that you are not a business league within the meaning of section 501(c)(6) since your membership and activities are limited to serving only the interests of a single organization rather than the fast-food industry as a whole. Therefore, we have concluded you are not entitled to exemption under section 501(c)(6) and are a taxable entity. You are required to file Federal income tax returns on Form 1120.

You have the right to appeal this determination if you believe it is incorrect. To appeal, please refer to the attached Publication 892.

If you do not appeal this determination within 30 days from the date of this letter, this determination will be final.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

District Director

Enclosure: Publication 892

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname							
Date							